



## Investor Presentation Fourth Quarter, 2008

December 2, 2008

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## Caution Regarding Forward-Looking Statements

*Our public communications often include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Bank's objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank's businesses and for the Canadian, United States and global economies. Such statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intent," "estimate," "plan," "may increase," "may fluctuate," and similar expressions of future or conditional verbs, such as "will," "should," "would" and "could."*

*By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. Do not unduly rely on forward-looking statements, as a number of important factors, many of which are beyond our control, could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to: the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; significant market volatility and interruptions; the failure of third parties to comply with their obligations to us and our affiliates; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere, including changes in tax laws; the effect of changes to our credit ratings; operational and reputational risks; the risk that the Bank's risk management models may not take into account all relevant factors; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank's ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank's ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank's ability to attract and retain key executives; reliance on third parties to provide components of the Bank's business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; fraud by internal or external parties, including the use of new technologies in unprecedented ways to defraud the Bank or its customers; consolidation in the Canadian financial services sector; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. For more information, see the discussion starting on page 56 of the Bank's 2007 Annual Report.*

*The preceding list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.*

*The "Outlook" section in this document is based on the Bank's views and the actual outcome is uncertain. Readers should consider the above-noted factors when reviewing this section.*

*Additional information relating to the Bank, including the Bank's Annual Information Form, can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the EDGAR section of the SEC's website at [www.sec.gov](http://www.sec.gov).*

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## Overview

Rick Waugh  
President & Chief Executive Officer

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## 2008 – Overview

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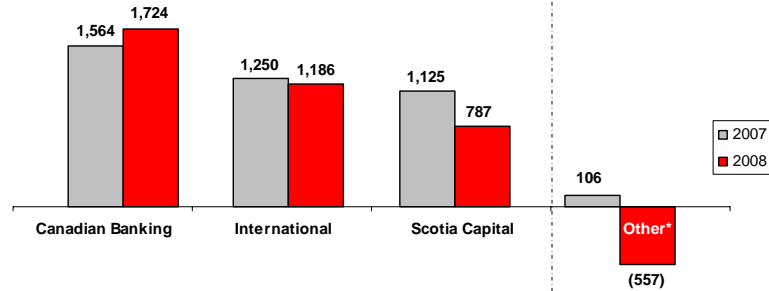
- **Challenging environment**
  - Difficult market conditions and unprecedented volatility in global financial markets
  
- **Net income - \$3.1 billion, EPS - \$3.05**
  - Q4/08: \$315 million, EPS - \$0.28
  - \$642 million write-downs in Q4/08
  
- **Core earnings remain solid**

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## Core Earnings Remain Solid

net income, \$ millions



### Year-over-year

**Canadian Banking:** Strong deposit & asset growth & positive impact of acquisitions, partly offset by higher PCLs, slightly lower margin, 2007 Visa gain

**International:** Very strong loan growth & positive impact of acquisitions, offset by higher growth-related expenses, PCLs, tax rate, and items of note (writedowns in 2008, Visa gain in 2007)

**Scotia Capital:** Record revenues in certain businesses, strong revenue growth in loan portfolios, more than offset by writedowns, lower loan loss & interest recoveries, and impact of difficult markets

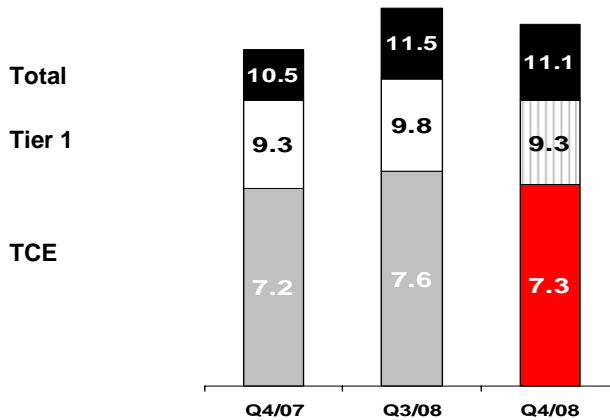
**Other:** Increased liquidity & funding costs, lower securities gains, and items of note

\* includes Group Treasury and other corporate items, which are not allocated to a business line



## Strong Capital

### Capital ratios (%)





## Performance Review

Luc Vanneste

Executive Vice-President &  
Chief Financial Officer

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## Items of Note<sup>(1)</sup>

	<u>Q4</u>	<u>2008</u>
<b>Reported Net Income (\$MM)</b>	<b>315</b>	<b>3,140</b>
<b>Item of Note (After-tax \$MM)</b>	<b><u>Q4</u></b>	<b><u>2008</u></b>
<b>Valuation Adjustments</b>		
Conduit CDOs	(137)	(166)
Other CDOs	(122)	(176)
Other AFS Securities	(150)	(150)
SIVs/ABCP	(7)	(72)
<b>Trading Counterparty</b>		
Lehman Brothers	(117)	(117)
Other	-	(32)
<b>ALM Hedging</b>	(109)	(109)
<b>Total</b>	<b>(642)</b>	<b>(822)</b>

(1) See slide 35 for breakdown of Q4/08 items by business line and income statement line.

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## Solid Core Results <sup>(1)</sup>

	Q4/08 Reported	Items of Note	Q4/08 Core	Core Change	
				Qtr/Qtr	Yr/Yr
Net income (\$MM)	\$315	\$642	\$957	(5)%	8%
EPS	\$0.28	\$0.65	\$0.93	(5)%	6%
ROE	6.0%		19.2%	(180) bp	(30) bp
Productivity ratio	75.2%		54.9%	60 bp	(40) bp

### Quarter over quarter (core)

+ Strong asset growth	- Decrease in securities gains
+ Wider corporate spreads	- Lower wealth management revenues
+ Impact of acquisitions	- Increased loan losses

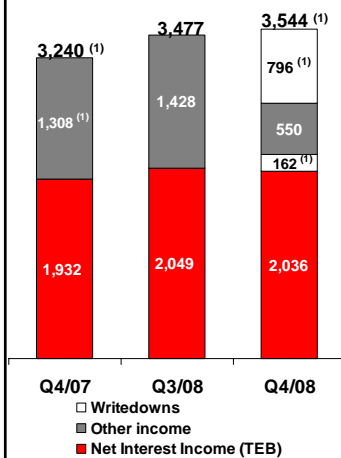
(1) Adjusted for items of note (Q4/08: \$(642)MM after-tax, Q4/07: \$65MM after-tax). See slides 35 and 36 for more details.

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## Good Underlying Revenue Growth

### Revenues (TEB) (\$ millions)



### Q4/08 vs. Q4/07 revenues: up 9% <sup>(1)</sup>

- **net interest income up 14% <sup>(1)</sup>**
  - + broad based asset growth
  - + positive impact of acquisitions
  - lower margin
- **other income up 3% <sup>(1)</sup>**
  - + record forex & precious metals trading, higher securitizations & acquisitions
  - lower underlying securities gains, securities trading

### Q4/08 vs. Q3/08 revenues: up 2% <sup>(1)</sup>

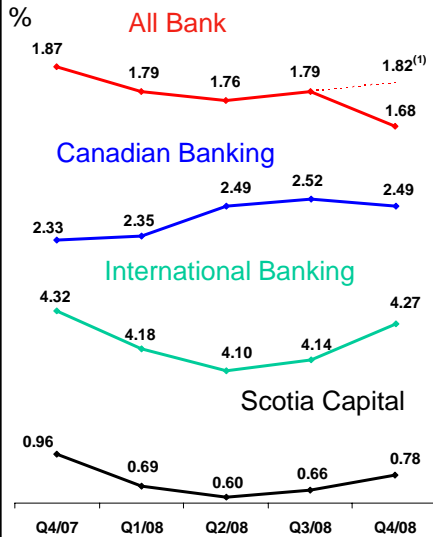
- **net interest income up 7% <sup>(1)</sup>**
  - + strong asset growth, including acquisitions
  - + positive impact of forex
  - + stable underlying margin
- **other income down 6% <sup>(1)</sup>**
  - lower capital markets related revenues: lower underlying securities gains, underwriting & securities trading
  - + higher securitization revenues
  - + record forex & precious metals trading

(1) Adjusted for items of note (Q4/08: \$(958)MM pre-tax, Q4/07: \$54MM pre-tax). See slides 35 and 36 for more details.

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## Stable All-Bank Margin



### All-Bank: +3 bps qtr/qtr <sup>(1)</sup>

- + higher margins in Latin America, including acquisitions in Peru
- + wider spreads in U.S. & European Corporate
- relatively higher funding costs
- increase in non-earning assets

### Canadian Banking: (3) bps qtr/qtr

- change in product mix

### International Banking: +13 bps qtr/qtr

### Scotia Capital: +12 bps qtr/qtr

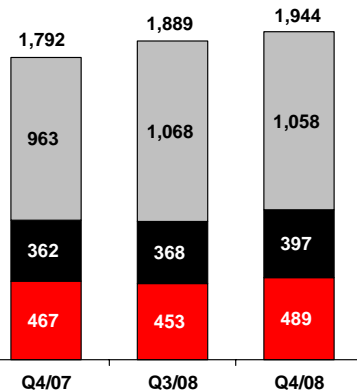
(1) Adjusted for \$(162)MM pre-tax impact of ALM Hedging. See slide 35 for more detail.

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## Higher Expenses Acquisitions, Forex & Growth Initiatives

### Non-interest expenses (\$ millions)



■ Salaries & employee benefits  
■ Premises & technology  
■ Other

### Q4/08 vs. Q4/07 expenses: up 8%

- negative impact of forex
- acquisitions & branch expansion led to higher salaries & premises & technology
- increased pension & benefit costs vs. low level in Q4/07
- + lower performance-based & stock-based compensation
- + decrease in professional fees & capital taxes

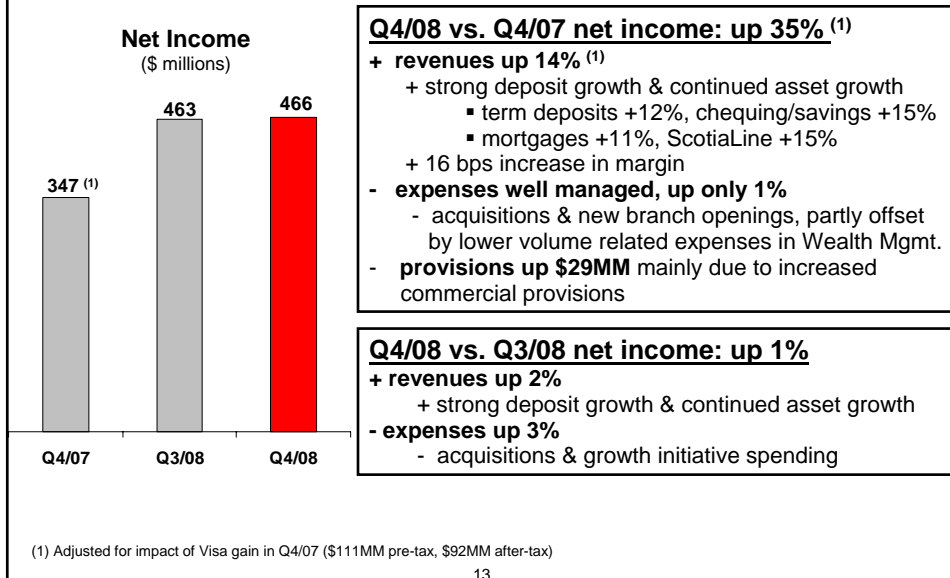
### Q4/08 vs. Q3/08 expenses: up 3%

- increase due to acquisitions & forex
- + decrease in performance-based & stock-based compensation
- + lower capital taxes

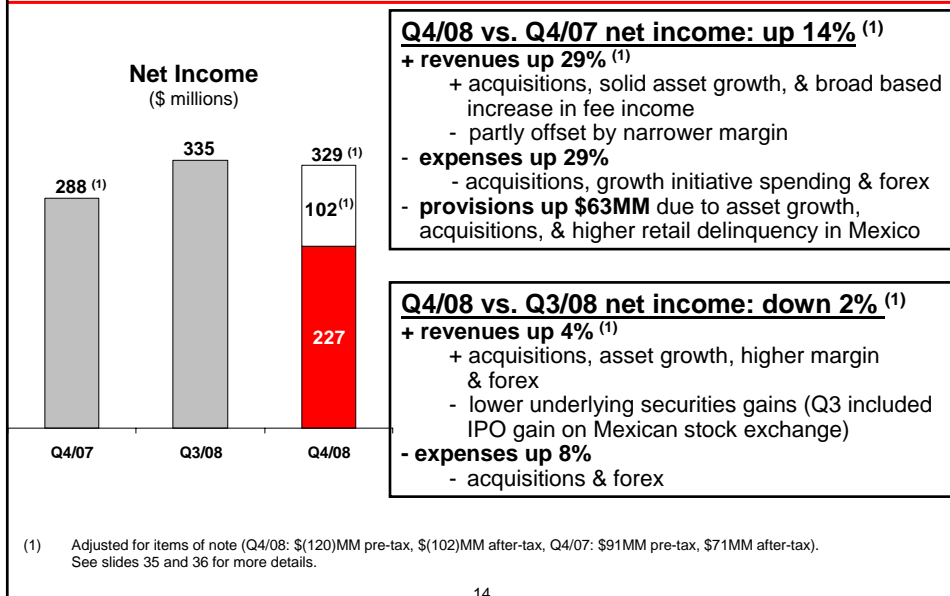
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## Canadian Banking Results Another Strong Quarter

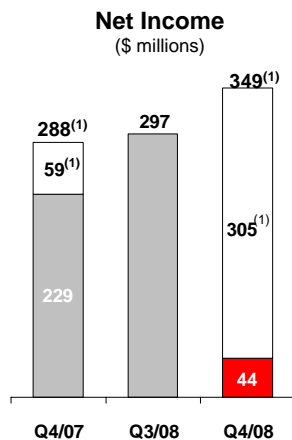


## International Banking Solid Underlying Results





## Scotia Capital Impacted by Writedowns



### **Q4/08 vs. Q4/07 net income: up 21%<sup>(1)</sup>**

- + revenues up 20%<sup>(1)</sup>
  - + record forex & precious metals trading results
  - + higher corporate loan volumes, interest & spreads
  - lower tax-exempt dividend income
- expenses up 11%
  - increased hiring & technology expenses
  - + lower professional fees & discretionary spending
- provisions up \$20MM: one new provision, less recoveries

### **Q4/08 vs. Q3/08 net income: up 18%<sup>(1)</sup>**

- + revenues up 13%<sup>(1)</sup>
  - + higher corporate banking interest profit
  - + record forex & precious metals trading, stronger underlying derivatives revenues
  - lower securities trading & ScotiaWaterous revenues
- + expenses down 2%
  - + lower performance based compensation
  - increased hiring costs

(1) Adjusted for items of note (Q4/08: \$(503)MM pre-tax, \$(305)MM after-tax, Q4/07: \$(92)MM pre-tax, \$(59)MM after-tax). See slides 35 and 36 for more details.

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## Business Line Outlook & Priorities

**Chris Hodgson**  
Group Head, Canadian Banking

**Rob Pitfield**  
Group Head, International Banking

**Mike Durland**  
Group Head, Global Capital Markets & Co-CEO Scotia Capital

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## Canadian Banking 2009 Priorities

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- Maintain positive operating leverage
- Focus on key segments & products
- Fully integrate recent acquisitions
- Take advantage of market opportunities

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## International Banking 2009 Priorities

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- Focus on deposits & fee-based businesses
- Maintain positive operating leverage
  - Focus on cost & productivity improvements
- Increased focus on credit risk management
- Seek opportunistic acquisitions

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## Scotia Capital 2009 Priorities

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- Continue to prudently manage credit, market and operational risks
- Execute global sectoral strategy by expanding coverage of energy, mining, & power sectors & institutional investors
- Re-focus the business
  - Expand key platforms/capabilities
  - Scale back non-core businesses

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## Risk Review

Brian Porter

Group Head, Risk & Treasury

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## Q4/08 Risk Overview

- **Managing through challenging market conditions**
  - PCL: \$207mm vs \$159mm in Q3/08
  - Gross impaired loan formations: \$615mm vs \$629mm in Q3/08
  - Average one-day VaR: \$20.1mm vs \$15.8mm in Q3/08
  
- **Areas of current focus**
  - Bank-sponsored multi-seller conduits
  - Automotive exposure
  - International retail portfolios
  
- **Outlook**

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## Provision for Credit Losses

Specific provisions, \$ millions

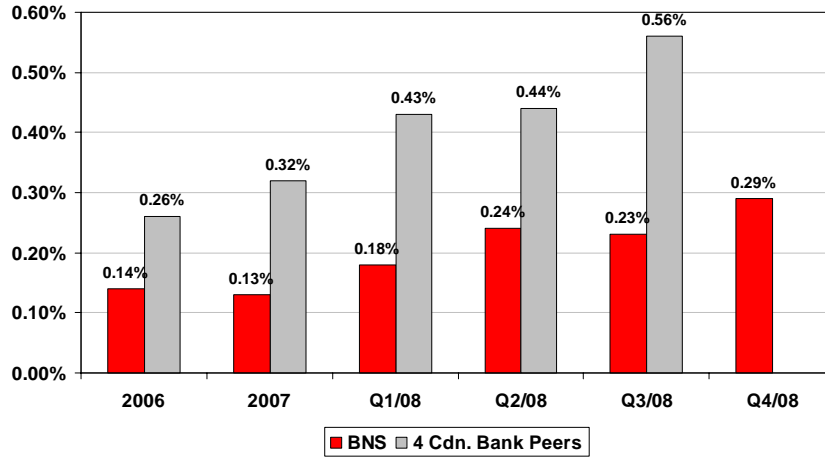
	<u>Q4/07</u>	<u>Q1/08</u>	<u>Q2/08</u>	<u>Q3/08</u>	<u>Q4/08</u>
Canadian Banking					
Retail	72	79	82	77	78
Commercial	<u>6</u>	<u>12</u>	<u>20</u>	<u>22</u>	<u>29</u>
	78	91	102	99	107
International Banking					
Retail	56	64	69	81	105
Commercial	<u>(29)</u>	<u>(34)</u>	<u>(9)</u>	<u>(25)</u>	<u>(15)</u>
	27	30	60	56	90
Scotia Capital	<u>(10)</u>	<u>(10)</u>	<u>(9)</u>	<u>4</u>	<u>10</u>
	<b>95</b>	<b>111</b>	<b>153</b>	<b>159</b>	<b>207</b>

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## Strong Relative PCL Performance

Specific Provisions as % of Average Loans and Acceptances

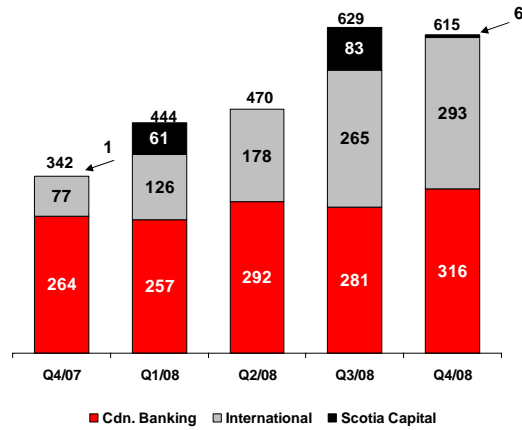


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## Trend in Gross Formations

(\$ millions)



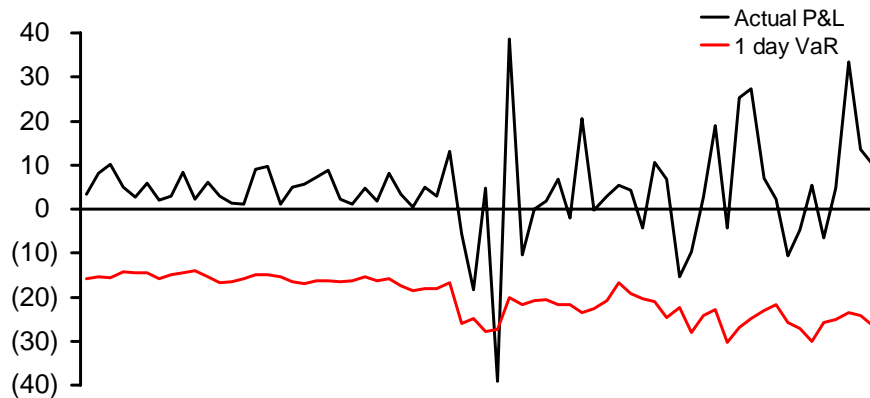
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## Trading Results Versus One-Day VaR

(\$ millions)

August 1, 2008 to October 31, 2008



▪ Average one-day VaR: \$20.1mm in Q4/08 vs \$15.8mm in Q3/08

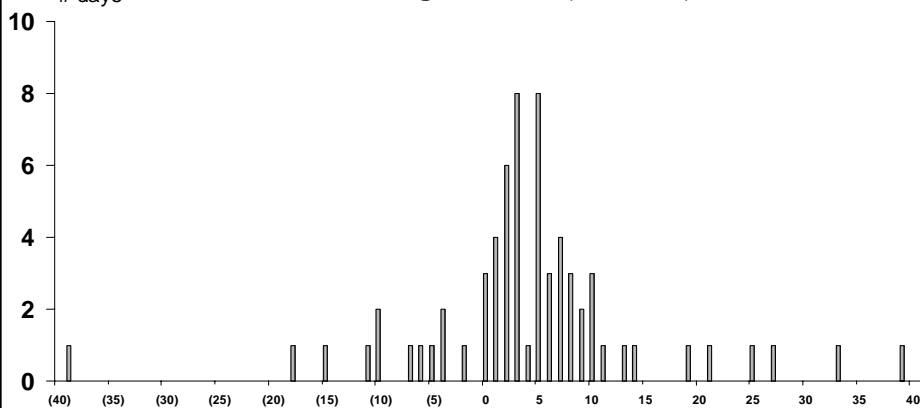
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## Trading Revenues

# days

Q4/08 trading revenues (\$ millions)



▪ 80% of days had positive results in Q4/08 vs. 83% in Q3/08

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## Bank-Sponsored Multi-Seller Conduits

(Q4/08, \$ billions)	Canadian Conduits	U.S. Conduit
Funded assets	3.8	8.4
Commitments	0.5	4.4
Total exposure	4.3	12.8
Weighted-average: rating (equivalent) life (years)	AA- or higher 1.0	92% A or higher 1.2

- **Assets mostly receivables**
  - Auto loans/leases: 42%; trade: 19%; credit cards/consumer: 11%;  
equipment loans: 8%; diversified ABS: 8%
- **No direct CDO or CLO exposure**

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## Auto Industry Exposure Manageable

\$ billions	<u>Q4/08</u>	<u>Q3/08</u>	<u>Q4/07</u>
<b><u>North American &amp; European Wholesale*</u></b>			
Original Equipment Manufacturers (OEM)	0.5	0.5	0.2
Finance & Leasing	1.2	1.0	0.6
Parts Manufacturers	0.7	0.6	0.8
Dealers/Floorplan	2.8	2.7	2.4
	<b>5.2**</b>	<b>4.8</b>	<b>4.0</b>
Investment Grade	63%	60%	48%
Loss Ratio (2007 & 2008)	9bps	-	9bps
<b>Consumer auto-backed securities (primarily GMAC)</b>	<b>7.8</b>	<b>7.1</b>	<b>6.2</b>
<b>Bank sponsored &amp; third party conduits</b>	<b>7.8</b>	<b>8.2</b>	<b>10.2</b>

\* loans and acceptances

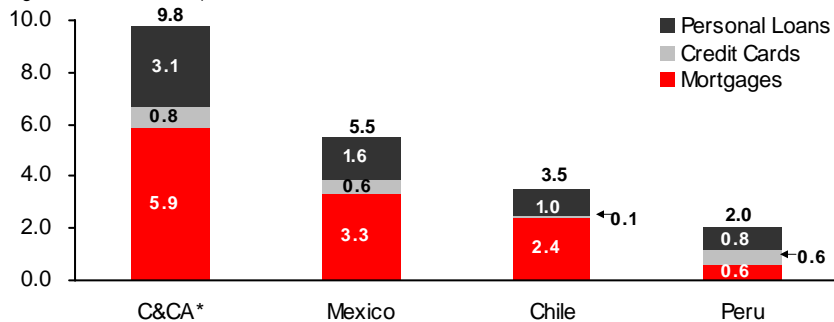
\*\* represents 4% of Business & Government loans and acceptances

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## International Retail Loan Portfolios

(Outstandings at Q4/08, \$ billions)



PCL	2008	2007	2008	2007	2008	2007	2008	2007
\$mm	68	43	186	85	20	12	45	25
% of avg. loans	0.77	0.54	3.75	1.97	0.64	0.89	3.36	2.54

76% of total retail loan portfolio secured

\* Caribbean and Central America



## 2009 Risk Outlook

- Areas of current focus - manageable
- Expect provisions for credit losses to increase
  - within risk tolerances

<b>Canadian Banking</b>	<ul style="list-style-type: none"> <li>• impact of economic slowdown</li> </ul>
<b>International Banking</b>	<ul style="list-style-type: none"> <li>• impact of U.S. weakness</li> <li>• impact of lower commodity prices</li> <li>• lower commercial recoveries</li> </ul>
<b>Scotia Capital</b>	<ul style="list-style-type: none"> <li>• impact of U.S. weakness on certain industries</li> <li>• lower reversals and recoveries</li> </ul>

## Outlook

Rick Waugh  
President & Chief Executive Officer

## 2009 Priorities

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- **Drive sustainable revenue growth**
  - leverage acquisitions/investments
  - take advantage of market opportunities
- **Prudent capital management**
- **Leadership**
- **Maintain strong focus on risk management**
- **Expense control**



## Targets

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- EPS growth: 7-12%
- ROE: 16-20%
- Productivity ratio – less than 58%
- Maintain strong capital ratios

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## Appendix

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## Items of Note in Q4/08

<u>Gain/(Loss)</u>	<u>Pre-tax (\$MM)</u>	<u>After-tax (\$MM)</u>	<u>EPS (\$)</u>	<u>Financial statement impact (Pre-tax)</u>
<b>Q4/08</b>				
<b>Conduit CDOs</b>	(245)	(137)		<b>SC:</b> Securities Gains
<b>Other CDOs</b>	(45)	(24)		<b>SC:</b> Securities Gains
	(73)	(70)		<b>Int'l:</b> Securities Gains (50) Other/Other Income (23)
	(45)*	(35)		<b>Other:</b> Securities Gains (35) Other/Other Income (10)
<b>Other AFS Securities</b>	(42)	(27)		<b>SC:</b> Securities Gains
	(47)	(32)		<b>Int'l:</b> Securities Gains
	(128)	(91)		<b>Other:</b> Securities Gains
<b>Lehman Brothers</b>	(171)	(117)		<b>SC:</b> Trading
<b>ALM Hedging</b>	(162)	(109)		<b>Other:</b> Net Interest Income
<b>Total</b>	<b>(958)</b>	<b>(642)</b>	<b>(0.65)</b>	

\* Includes SIV writedown \$(11)MM pre-tax, \$(7)MM after-tax

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## Items of Note in Q4/07

<u>Gain/(Loss)</u>	<u>Pre-tax (\$MM)</u>	<u>After-tax (\$MM)</u>	<u>EPS (\$)</u>	<u>Financial statement impact (Pre-tax)</u>
<b>Q4/07</b>				
<b>Gain on Visa restructuring</b>	111	92		<b>Cdn:</b> Other/Other income
	91	71		<b>Int'l:</b> Other/Other Income
<b>Gain on sale of bond index business</b>	43	35		<b>SC:</b> Other/Other Income
<b>Conduit CDOs</b>	(115)	(80)		<b>SC:</b> Trading
<b>SIVs/ABCP</b>	(20)	(14)		<b>SC:</b> Securities Gains
	(56)	(39)		<b>Other:</b> Securities gains
<b>Total</b>	<b>54</b>	<b>65</b>	<b>0.07</b>	

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## Impact of Forex

Impact (\$ millions)	<u>Q4/08 vs.</u> <u>Q3/08</u>	<u>Q4/08 vs.</u> <u>Q4/07</u>	<u>2008 vs.</u> <u>2007</u>
Net Interest Income (TEB)	40	70	(221)
Other Income	(23)	(24)	(80)
Non-interest expenses	(31)	(47)	146
<b>Net income</b>	<b>(13)</b>	<b>(5)</b>	<b>(104)</b>
<b>EPS (diluted)</b>	<b>(1) cent</b>	<b>-</b>	<b>(10) cents</b>

### Spot Rate

Oct. 31/08

0.83	\$US/\$CAD
10.47	Mexican peso/\$CAD
	Peruvian new sol/\$CAD
	Chilean peso/\$CAD

### Average exchange rate

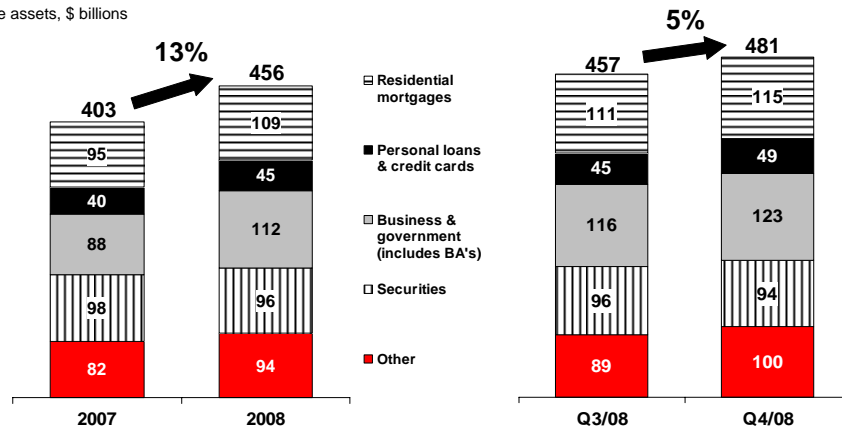
<u>2008</u>	<u>2007</u>	<u>Q4/08</u>	<u>Q3/08</u>	<u>Q4/07</u>
0.97	0.91	0.91	0.99	0.98
10.47	9.97	10.18	10.16	10.79
2.86	2.89	2.73	2.85	3.07
490.44	480.77	518.40	494.32	507.61

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## Continued Strong Asset Growth

average assets, \$ billions



### Yr/Yr

Business & government: +27%  
Residential mortgages: +14%  
Personal loans +13%

### Qtr/Qtr

Personal Loans: +8%  
Business and government loans: +6%  
Residential mortgages: +3%

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## Canadian Banking - Market Share Deposit Momentum Continues

	Qtr/Qtr	Yr/Yr
<b>Residential Mortgages</b>	(3) bps	(9) bps
<b>Personal Term Deposits</b>	+12 bps	+87 bps
<b>Total Personal Deposits</b>	+16 bps	+61 bps
<b>Mutual Funds</b>	+9 bps	+28 bps

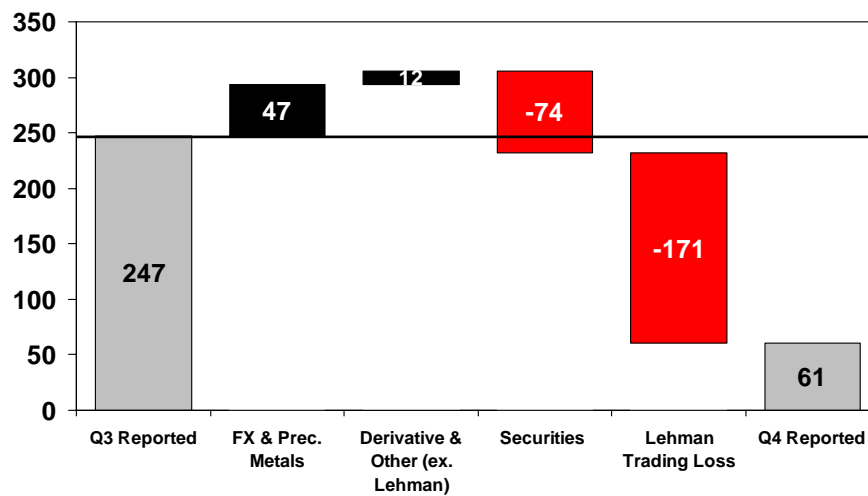
Canadian Banking market share figures as at September 2008

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## Trading Revenues

(\$ millions)



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## Other Segment <sup>(1)</sup> Impacted by Writedowns

### Net Income (\$ millions)

	<u>Q4/07</u>	<u>Q3/08</u>	<u>Q4/08</u>
Reported	(73)	(85)	(422)
Items of Note <sup>(2)</sup>	39	-	235
<b>Underlying</b>	<b>(34)</b>	<b>(85)</b>	<b>(187)</b>

#### Q4/08 vs. Q4/07 net income

- increased funding volumes, relatively higher cost for liquidity & hedging of interest rate risk
- lower underlying securities gains
- + higher securitization revenues
- + lower expenses

#### Q4/08 vs. Q3/08 net income

- increased funding volumes, relatively higher cost for liquidity & hedging of interest rate risk
- lower underlying securities gains
- + higher securitization revenues
- + lower expenses

(1) includes Group Treasury and other corporate items, which are not allocated to a business line  
 (2) see slides 35 and 36 for more details on items of note.



## Gross Impaired Loan Formations

Q4/08, \$ millions

### Canadian Banking

- Retail	277	
- Commercial	39	<b>316</b>

**Canadian Retail:** formations reflect growing portfolio size; underlying credit trends remain very good

**Canadian Commercial:** underlying credit quality stable

### International Banking

- Retail	215	
- Commercial	78	<b>293</b>

**International Retail:** formations across division, largely reflecting underlying growth and increase in delinquencies

**International Commercial:** mainly additional classifications in Chile

### Scotia Capital

- U.S.	6	
- Canada & Other	-	<b>6</b>

**Scotia Capital:** additional classification in one account in the U.S.

<b>Total</b>		<b>615</b>
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